

REMARKS

Claims 1-40, 42-70 and 81-108 are pending. Claims 41, 71-80 and 109-114 have been cancelled without prejudice. Claims 1-40, 42-45, 48, 51, 52, 56-60, 66, 68, 69 and 81-108 have been amended. Claims 1, 42 and 81 are independent. The title has been amended as required in the Office Action.

Claims 1-40 and 81-108 were rejected under 35 U.S.C. § 101 as not being directed to statutory subject matter. The amendments to the claims are believed to obviate this rejection.

Claims 42-72 were rejected under Section 101 in view of the recitation that "the third party comprises software for executing said first deal" Withdrawal of the rejection is requested in view of the above amendments.

Claims 1-6, 19, 26-27, 31-33, 42-46, 50, 55-57, 62-63, 72, 81-86, 101-102 and 105-106 were rejected under 35 U.S.C. 103(a) over U.S. Patent 7,310,616 (Sugahara) in view of U.S. 5,375,055 (Togher). Claims 7, 48, 70 and 87 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of "Official Notice". Claims 8-9, 37-38, 51-52, 67, 69 and 88-89 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of U.S. Patent Application US2003/0083973 (Horsfall). Claims 10-11, 15, 53-54, 90-91 and 94-95 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of U.S. Patent Application US2002/0032579 (Harpale). Claims 12-13 and 92-93 were rejected under 35 U.S.C. 103(a) in view of Sugahara in view of Togher in view of Harpale and further in view of Horsfall. Claims 16-17, 49 and 96-97 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher and further in view of U.S. Patent Application US2003/0055776 (Samuelson). Claims 18 and 98 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of Horsfall and further in view of U.S. Patent Application Number US2002/0133455 (Howorka). Claims 20-21, 58-59 and 99 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of Horsfall and Official Notice. Claims 22-25, 60-61 and 100 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher and further in view of U.S. Patent Application Number US2002/0052824 (Mahanti). Claims 28, 64 and 103 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in

view of Samuelson and further in view of U.S. Patent Application US2002/0099633 (Bray). Claims 29-30, 65 and 104 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of Samuelson. Claim 34 was rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of Howorka and further in view of Official Notice. Claims 35-36, 66 and 107 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of Horsfall and further in view of U.S. Patent Application No. US2004/0001530 (Mason). Claims 39 and 68 were rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of Horsfall and further in view of U.S. Patent Application No. US20023/0033240 (Balson et al.). Claim 40 was rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher and further in view of U.S. Patent Number 7,110,972 (Handa et al.). Claim 47 was rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of Howorka. Claim 108 was rejected under 35 U.S.C. 103(a) over Sugahara in view of Togher in view of Balson.

The independent claims have been rejected over a combination of Sugahara and Togher. Applicants submit that the Office Action has incorrectly analyzed Sugahara and, in addition, has combined Sugahara and Togher in a manner which contradicts the respective teachings of the two documents.

The invention to which the independent claims are directed, inter alia, enables parties trading on a trading system to trade in circumstances where they would not otherwise have sufficient credit to trade. For example, large banks are often reluctant to extend bilateral credit to smaller banks who they consider to be less credit worthy. For the same reason, they may limit the amount of credit they extend. On a credit-screened system, a smaller, credit poor, bank will not get to see the best prices in the market. However, they will be aware that there are better prices as their trading display shows the best price in the market as well as the best "dealable price," which is the best price they can deal at based on their credit relationships.

In the independent claims, the first party, e.g., the smaller bank, can see quotes on the system to which a third party, e.g., a prime broker, has credit. A first trade is initiated by the first party (e.g., the smaller bank), but it is conducted by executing a first deal between a third party (e.g.,

the prime broker) and the counterparty owning the quote. A second deal is then executed between the third party and the first party the amount of the second deal being the same as the amount of the first deal.

The Office Action considers that Sugahara teaches the execution of a trade by a first party which is conducted by executing a first deal between the third party and the counterparty owning the quote and executing a second deal between the third party and the first party with the amount of the two deals being the same. In support, the Examiner cites the abstract, Figure 6, column 4, lines 59 – column 5, line 8, column 10, lines 26 – 30 and column 13, lines 40 – column 14, line 60.

Sugahara is concerned with structuring transactions between two parties. Where a first party has a long position in a security and a second party wishes to acquire short exposure to the security, an intermediary may act between the two parties. The second party borrows the security from the first party, particularly in circumstances where it believes the price will move significantly over a short period of time, and then returns the security to the first party together with some sort of payment. The relationship of lender / borrower is evident from Figure 1, for example.

Commenting specifically on the passages cited in the Office Action, the abstract merely refers to the structuring of a transaction between two parties using an intermediary. Column 4, line 59 – column 5, line 8 refers to an agreement between two parties. Note this is not a method or system in itself, but merely an agreement as to how parties will behave with respect to one another. That agreement requires a first party to sell a security to a third party. The second party pays an amount to the first party (“a first in-lieu-of dividend”). The security sold by the first party is market-to-market periodically and the first party is required to unwind the sale of the security to the third party.

Thus, the trade between the first and second parties requires a sale between the first and a third party which is then reversed.

A second agreement is entered into between the second party and the third party. This agreement requires the third party to make a second payment (a second in-lieu-of dividend") to the second party. The security sold by the first party is market-to-market periodically and the third party is required to unwind the sale of the security made by the first party. The process described is one of a temporary sale from the first party to the third party in return for a payment. The security sold is then returned.

This process is not the same as what is claimed. In the independent claims, a first trade is initiated at a best price. This trade is conducted by executing a first deal between a third party and a counterparty owning the best price quote. A second deal is then executed between the third party and the first party for the same amount. In the column 4 passage of the citation from Sugahara, there is only trading between the first party and the third party. The trade is a two way trade with the initial trade being reversed after a period of time. In contrast, the independent claims recite a trade between a first and a third party and then a trade for the same amount between a second and a third party. This feature is not disclosed in this passage of Sugahara.

Column 10, lines 26 – 30 of Sugahara merely show that a broker may make a match if it receives two opposite orders, for example an order to buy a stock and an order to sell a stock. This is fundamental to the operation of any market.

Column 13, line 40 – column 14, line 60 refer to a type of SLoT mechanism. This refers to a Synthetic Loan Transaction. Column 9, beginning at line 30 discusses synthetic markets and refers to the generation of short synthetic exposure which is explained as being financial exposure that essentially mirrors the financial exposure generated by a short sale. It notes that in some markets short selling is not possible either for legal or market reasons. Column 9, lines 44 – 49 refer to the use of contracts-for-differences (CFD) as a back-to-back cash settled derivative transaction where a long investor sells stock to a counterpart desiring to gain a short exposure and a long investor then repurchases the stock at a future time. The SLoT mechanism described with respect to Figure 6 in the column 13 – 14 passage cited is one mechanism for facilitating this type of stock loan. Column 13 at lines 49 – 51 states that:

“the principal type slot mechanism of this embodiment may be used by an investor to:

- (a) fund a long position; and/or
- (b) synthetically lend one or more securities; and/or
- (c) leverage its portfolio of securities.”

The process described in column 14 is clearly one of temporary sale and return using an intermediary.

Thus, the language of the claim which the Office Action considers to be disclosed by Sugahara is not disclosed, for the reasons given above. Moreover, the claim is written in terms of trade between a party which owns a quote. There is nothing in Sugahara to suggest that the shares that are loaned are done so in response to any quote, being an offer to buy or sell. Thus, Sugahara does not teach or suggest the claim limitations of the independent claims. Togher does not remedy the abovementioned deficiencies. For at least the foregoing reasons, the independent claims are clearly patentable over the cited art.

Further, the combination of Togher and Sugahara is fundamentally unfeasible and not one which would be contemplated by one skilled in the art. Sugahara is concerned with facilitating the temporary loan of stock whereas Togher teaches a system for trading on over the counter markets such as foreign exchange markets. One of ordinary skill in the art looking to modify Sugahara would not look to a system which transfers ownership from one party to another as Sugahara is concerned with a system for the *temporary loaning of securities*. Thus, the proposed combination is unfeasible in any event.

The dependent claims are patentable for at least the same reasons as their respective base claims.

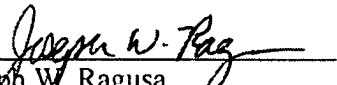
Application No. 10/694,758
Amendment dated April 29, 2009
Reply to Office Action of October 29, 2008

Docket No.: E3331.0601

In view of the above amendment and remarks, applicant believes the pending application is in condition for allowance.

Dated: April 29, 2009

Respectfully submitted,

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